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Tax Planning through Thin Capitalization in Multinational Corporations in Indonesia

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ABSTRACT

In an effort to achieve the goals of minimizing taxes and maximizing global profits, multinational companies use several strategies in their tax planning to obtain maximum global profits. Good tax planning will certainly be able to minimize the tax burden that must be paid without having to violate existing regulations, including using thin capitalization. This type of research is qualitative research, while the data collection technique in this research was carried out by following the research steps of library research. The aim of this research is to provide an overview of appropriate tax planning that can be carried out by Multinational Corporations (MNC) in Indonesia by using thin capitalization in accordance with existing laws and regulations in Indonesia. The results of this research are that MNCs in Indonesia in their tax planning should utilize a thin capitalization strategy by maximizing debt and capital in accordance with PMK-169/PMK.010/2015 rules, namely 4:1.

Keywords *: Multinational Corporation; Tax planning; Thin capitalization*

INTRODUCTION

Along with the development of the times and times, the era of globalization has present dominate all aspect life public. In the world of economics, globalization makes it easier company or perpetrator economy for expand its business base. Supported era of globalization with the Digitalization Era Economy and Industry 4.0 practical grow lots his company multinational operating across countries.

In an effort to reach the objective minimization of taxes and maximize global profits, multinational companies use some deep strategies to plan the tax to get maximum global profits. Globalization removes the desire for territorial company and gives a chance to establish something a company crosses the limit with the hope of getting profit from more taxes low. Important for a company to pay close attention implementation of obligation taxation to avoid various sanctions and possible taxation. Tax planning is something possible efforts executed company. Planning true and correct taxes of course can minimize the burden of taxes paid without violating existing rules. The utilization gap in regulation taxation can utilized, as well various facilities existing taxation can utilized with good.

In writing this, the writer tries to describe and provide a description of tax planning on *Multinational Corporations* (MNC) with thin capitalization. Planning basically true and correct taxes is done to minimize tax owed as well as to avoid tax sanctions. This study will give a description planning the right tax that can be carried out by *Multinational Corporations* (MNC) in Indonesia with utilise appropriate thin *capitalization* with the provision of existing laws in Indonesia.

A number of study previous has discuss regarding thin capitalization. Gouwvara (2023) in his research explain that thin capitalization has an effect to avoidance taxes, this happens because companies that use debt will get supervision so that will difficult for company to can do avoidance tax . Bandiyono and Murwaningsari (2019) in his research mention that in transaction between company in an intra- group , thin capitalization effect to avoidance tax. Akabom (2018) states that use of thin capitalization as a financial strategy in companies multinational has be an internal

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strategy enhancement performance among organizations in Nigeria. Isgiyarta (2014) produces study that thin capitalization with use the debt to equity ratio measurement shows exists influence positive to avoidance tax income proven in a way empirical.

This study use type study qualitative , whereas technique data collection in research This done with follow step library research . A number of research previous based on library research, shows that thin capitalization indeed used in company multinational for manage payment the tax . Objective from this study is for give description planning what is the right tax and what is not avoidance tax that can be carried out by the Multinational Corporation in Indonesia with utilize appropriate thin capitalization with provision existing laws in Indonesia.

STUDY OF LITERATURE

Agency Theory

Mallin (2019) explains that theory agency identify connection agency where is one the party (principal) delegates work to other party (agent). In context corporation , owner is principal and director is agent . In general problem agency happen Because exists nature information asymmetric as well as happen conflict interests (conflict of interest). Information of a nature asymmetric happen in condition when party management own more Lots information about position finance , environment work , as well actual capacity in the company in a way whole . In condition the party agent know more Lots information compared to with information held by the parties owner or principal . As for conflict interest happen in condition when exists inequality destination , where party management Act No in accordance with interest owner or principal.

Alkausar, et al (2020) explain that there are several types of agency relationship theory that have been developed by several previous researchers, namely as follows: [Type 1] The relationship between agents and principals or company owners and management, developed by Jensen & Meckling (1976); [Type 2] The relationship between majority and minority shareholders, developed by La Porta, Lopez-De-Silanes, and Shleifer (1999); [Type 3] Relationships with third parties, for example the relationship between company management and the government or in this case the tax authority, developed by Armour, Hansmann, & Kraakman (2009). In agency theory, agency problems can occur between companies and the government due to differences in interests due to unequal goals. Where the company management tries to get maximum profits by carrying out tax planning. Meanwhile, on the other hand, the government wants companies to pay maximum taxes. So the difference in interests between companies and the government is the theory used in this research. Management tends to report profits conservatively. This is to avoid tighter supervision from the government and other interested parties.

Thin Capitalization

Something company called *thinly capitalized* if there is high comparison between debt capital and equity capital. General criteria applied for mention something company as *thinly capitalized* is ratio *capital gear*, *leverage*, or DER (IBFD International Tax Glossary, 2005). Objective from *thin capitalization* is for obtain level income hit low taxes Because exists addition burden flower debt / loan , so burden taxes borne a company become more small. *Thin Capitalization* arise because difference treatment taxation on flower loan with dividends . Loan interest can deducted as burden (*deductible expense*) whereas dividend no permitted as expenses (*non - deductible expenses*).

Thin Capitalization Rules in Indonesia

Thin Capitalization Rules is application regulation To use prevent avoidance tax through *thin capitalization* . In Indonesia *Thin Capitalization Rules* the there is in Article 18 paragraph (1) and paragraph (3) of the Income Tax Law stdtd . HPP Law and Article 2 paragraph 1 PMK 169/PMK.010/2015. In Article 18 paragraph (1) of the Income Tax Law stdtd HPP Law is mentioned that "Minister of Finance authorized arrange limitation amount cost available loans charged for needs calculation tax based on Constitution This ." Then in Article 18 paragraph (3) of the Income Tax Law stdtd HPP Law explained that " Director General Tax authorized for determine return big income and deductions as well as determine debt as capital for count big Income Got it Tax for Must Taxes that have connection special with Must Tax other in accordance with fairness and commonality effort that is not influenced by relationships special with use method comparison price between independent party, method price sale return , method cost -plus, or method other ." As for inside Article 2 paragraph 1 PMK 169/PMK.010/2015 is stated that " The magnitude comparison between debt and capital as intended in Article 1 paragraph (1) is determined to be the highest as big as four compared one (4:1)."

Definition Tax Planning

According to Zain (2008:43), *tax planning* is defined as "the process of organizing business Must Tax or group Must Tax like that appearance so that debt the tax is fine Tax Income nor taxes others , are in the most minimal position , throughout matter This possible good by terms regulation Legislation Taxation nor in a way commercial ." From understanding there is characteristic features main about *tax planning* as The following : [1] is carried out good at business Must Tax nor group Must Tax ; [2] is done with the purpose of ensuring that taxes are owed is at in minimal amount ; [3] is done legally or Still in room scope provision Constitution Taxation.

Tax planning are carried out basically done for minimize amount tax owed as well as for avoid tax sanctions . Suandy (2006:9) explains " Obligation taxation started from implementation Constitution taxation . Therefore that , disobedience to Constitution can worn sanctions , fine sanctions administration nor witness criminal . Tax sanctions administration nor criminal is waste source Power so that needs to be avoided through something planning good taxes . ". Furthermore mentioned that " avoidance waste the is optimization allocation source Power company to more direction productive and efficient ..." (Suandy , 2006:10).

Tax Audits

According to Minister of Finance Regulation number 184/PMK.03/2015, it is stated that an tax audit is a series of activities to collect and process data, information and/or evidence which is carried out objectively and professionally based on an audit standard to test compliance with tax obligations and/or to other purposes in order to implement the provisions of tax laws and regulations. Tax audits in Indonesia are carried out by tax auditor from the tax authority, namely the Directorate General of Taxes. Tax audits carried out to test compliance with tax obligations are usually carried out if there are companies or taxpayers who are indicated to be less compliant in implementing tax laws and regulations.

Tax Sanctions

Basically, sanctions taxation applied to use create obedience must tax in implementation obligation the taxation. So, mandatory Tax must understand sanctions existing taxation to use can understand consequence law from action taken or not done . In the KUP law stdtd . HPP Law, there is two type sanctions in the world of taxation , namely : (1) Sanctions administration (in the form of fines, interest, and/ or increase), (2) Sanctions criminal. Sanctions the made for give consequence law to must taxes are not obedient or negligent in carry out obligation the taxation.

Study Previous

A number of study previous has someone is discussing it about tax planning and thin capitalization. From several study previously obtained , below 6 (six) studies are presented previous about *tax planning* and *thin capitalization:*

Table 1. Research Previous

No.	Title	Year	Writer
1.	Pajak Penghasilan Badan Dipengaruhi Oleh Tax Planning Dan Leverage Dengan Manajerial Ownership Sebagai Variabel Moderating.	2023	Srikalimah , et al.
2.	Pengaruh Thin Capitalization dan Faktor Lainnya terhadap Penghindaran Pajak.	2023	Gouwvara , Nathasya & Meinie Susanty.

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3.	The Impact of Thin Capitalization Rules on Capital Structure and Tax Avoidance. Journal of Governance and Regulation	2022	Anindita , Rahma Intan , et al.
4.	Tax Planning atas Pajak Penghasilan Badan.	2019	Rimbano , Dheo , et al.
5.	Effect of Intra Group Transaction, Thin Capitalization and Executive Characters on Tax Avoidation with Multinationality as a Moderation.	2019	Bandiyono , Agus & Etty Murwaningsari.
6.	Effects of Thin Capitalization and International Law on the Performance of Multinational Companies in Nigeria.	2018	Akabom , Ita Asuquo & Fidelis Enya Ejabu.

Source Table : Processed writer from various source

A number of study previous has discuss regarding thin capitalization in connection with taxation. Srikalimah, et al (2023) in results his research to company banks registered on IDX in 2019-2021 explained that ratio high debt will make load on reports profit make a loss company fulfilled by expense items flowers are a must paid company. That matter will big impact mark income hit tax become decrease. Decline income hit tax the will impact to tax necessary body income paid to the state also decreased. Gouwvara (2023) explains that thin capitalization has an effect to avoidance tax . That matter happen Because companies that use debt will get supervision so that will difficult for company for do tax avoidance.

Anindita, et al (2022) in his research state that rule *thin capitalization* in Indonesia is limiting the ratio of debt to capital burden the flowers can reduced for goal 4:1. That matter will give rise to limitations for company for take advantage of the debt tax shield. Rimbano, et al (2019) in his research explain about draft tax planning that tax planning in something group group company will help all company For do efficiency in payment the tax . Besides That with planning Tax can also be done avoid waste payment tax with optimize allocation source Power more companies productive and able arrange Genre kasdan can compile cash budget more accurate and detailed.

Akabom, et al (2018) in their research explained that thin capitalization is a tax planning policy carried out by companies that strategically evaluate the country's fiscal policy to adjust the composition of capital. Companies, in their activities, allow them to finance their operations, so that tax authorities and regulatory bodies should be able to ensure the implementation of company activities on interest deduction restrictions as a buffer for the operations of their affiliates in other countries.

METHOD

Type this study is study qualitative, whereas technique data collection in research This done with follow step study *library research* carried out by Zed (2004), namely from the process of preparing data through references in the form of article scientific, books and journals that contain study related past. Keywords used in the search process literature that is tax planning, *thin capitalization,* Multinational Corporate. There is study relevant past will made as guidelines analysis researcher. Based on research and results References obtained, author do analysis with give illustration calculation alternative , so description tax planning *thin capitalization* is the best it can be can be used in Multinational Corporations in Indonesia seen with clear. That matter expected can become alternative tax planning for Multi National Corporation company in Indonesia.

RESULTS

In Indonesia, Multinational Corporations in their tax planning should utilize a thin capitalization strategy by maximizing debt and capital in accordance with PMK-169/PMK.010/2015 rules, namely 4:1. This tax planning will enable Multinational Corporations to minimize total taxes and effective tax rates, as well as obtain a fairly high ROE. Tax planning in accordance with existing tax regulations in Indonesia for multinational companies in Indonesia can avoid tax sanctions, so that there is no waste of resources spent by the company. The results of this research will be explained through calculation illustrations in the following discussion and presented in Table 2:

Illustration of Alternative Comparisons of Debt and Capital Values in Thin Capitalization.

DISCUSSION

Tax Planning through *Thin Capitalization*

Mature this is tax planning is a very important strategy carried out by the company to use fulfil obligation correct and appropriate taxation as well as legally applied to the company or Must Tax pay the tax in a way more efficient in accordance with provision regulation applicable taxation . One of the planning strategies possible taxes carried out by the company is through preparation debt and capital, or often called with thin capitalization. For *Multinational Corporations* (MNCs) also plan tax through thin capitalization is often used.

Kvamme (2020) explains that Profit shifting carried out by Multinational Companies is estimated to reach USD 100-240 billion annually in corporate tax revenues worldwide. In addition to eroding the tax base and limiting government resources, profit shifting also distorts market competition in a way that benefits multinational companies more than domestic companies. This has attracted world attention in recent years over the past few decades. Therefore, several countries have made various efforts and methods to curb the erosion of the tax base in their countries. One of the actions taken is through thin capitalization rules that target profit shifting by limiting interest expense deductions. From the results of research conducted by Kvamme, it is stated that thin capitalization practices have been used to shift profits in multinational companies in various countries to gain profits globally.

Merlo, et al (2020) in his research explain that the OECD identified transaction finance intragroup as one of the main strategies used by the company multinational for save tax. By specifically, there are Lots proof that company multinational carry out thin capitalization of company foreigners operating in countries with tax tall with use debt financing excessive in the country. The implications is the tax base (profit hit tax) transferred from countries with tax tall through payment flower cross national borders. Research by Merlo, et al (2020) also supports that thin capitalization has been used by multinational companies to save taxes globally, by minimizing tax payments in countries with high taxes.

Mardan (2017) states that empirical evidence shows that funding frictions also play an important role for multinational companies . One of the reasons why less financially developed countries apply greater thin capitalization rules is because the lack of access to external funding creates the need to use internal funding sources to finance investments. This research explains that thin capitalization in multinational companies is a very important funding strategy for companies.

Thin capitalization the carried out by the company with method get funding with composition magnitude mark more debt big compared to with magnitude capital value . That matter done with the goal is to earn income company become more small Because exists burden flower big debt . Thin capitalization is very important in face change tariff tax in studies capital structure and practices the practiced in countries with tariff tax tall. Thin capitalization is a tax planning policy implemented by companies that strategically evaluate a country's fiscal policy to adjust the composition of their capital, an activity that allows them to relatively finance their operations . In financial strategy company multinational , company take advantage of thin capitalization for make portfolio investment they're abroad because difference tax international with overall goal for reduce return taxes in the jurisdiction tax child company (Akabom, 2018). In research conducted by Akabom (2018), it was explained that the thin capitalization strategy had been utilized in dealing with high tax rates by changing the composition of funding and capital.

Thin capitalization is very profitable If done in between company multinational that has connection special . In general , this strategy arranged with method get funding with method debt from company its affiliates are located in the country that owns it tariff more taxes low . So that although mark income before tax become low in countries with tariff more taxes high , however globally the company multinational the will still more fortunately , because flower debt the paid to company affiliates located in countries with tariff tax or jurisdiction low taxes . Writer try illustrate profit utilization *thin capitalized* the with picture following :

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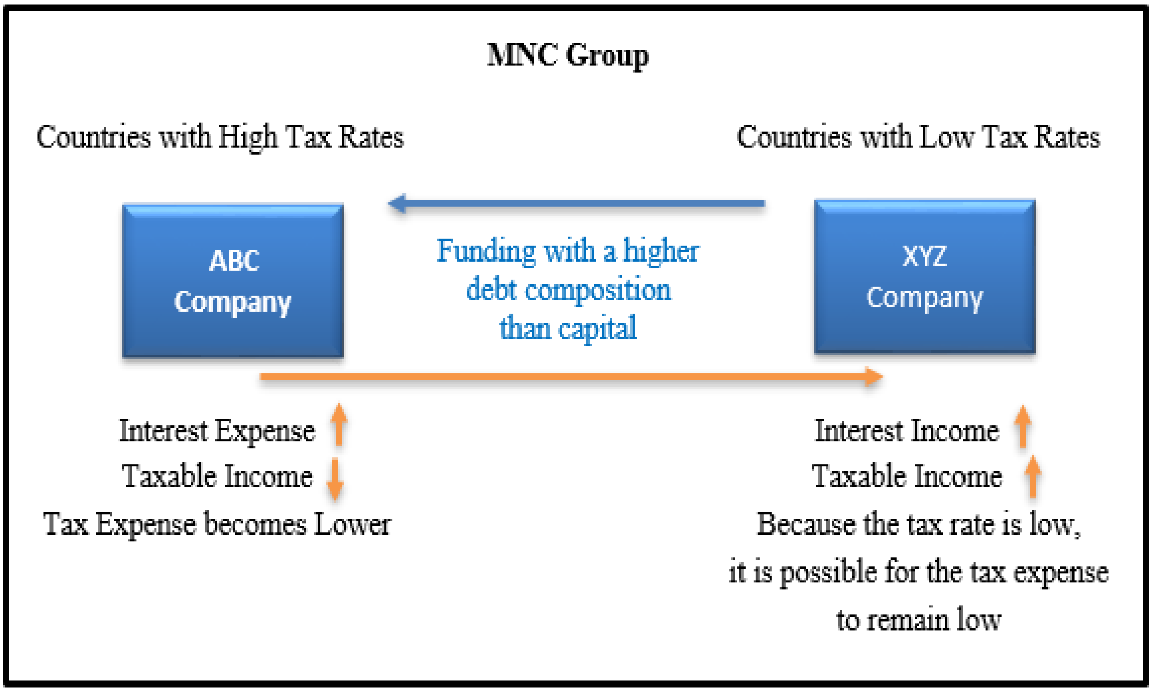

Figure 1. Illustration Profit Utilization of Thin Capitalization
Source : Processed Writer

From the illustrative chart, it is known that Company ABC which is located in a country with a high tax rate receives funding from company XYZ which is its affiliated company and is located in a country with a low tax rate. The funding obtained was obtained using a debt mechanism which has a higher composition than capital or equity. With high debt, the value of interest expense on ABC company's profit and loss statement will be high, so that the value of profit before tax and taxable income will be low. If taxable income is low, then the tax expense paid by company ABC will be lower. In company XYZ, even though interest income is higher and taxable income is higher, because Company XYZ is in a country with a low tax rate, the tax expense paid by Company may remain low. Globally, the use of thin capitalization in multinational group companies will be profitable because the tax burden will be lower in countries with tax rates, and overall the taxes paid by multinational group companies will be lower.

By generally, in many countries in the world, *thin capitalization* the limited with *thin capitalization rules* To use prevent must tax do scheme *thin capitalization* with No reasonable so that reduce reception taxes in that country . *Thin capitalization* the can limited with testing *arm's length principle* , through restrictions ratio *Debt to Equity Ratio*, as well as through other strategies such as *Earning Stripping Rules* (ESR), and so on.

Mardan (2017) explains that government decide rule optimal thin capitalization in process two stage . At stage First , the government choose type rule thin capitalization, that is safe haven rule or rule stripping income. At stage second, determine strictly rule thin capitalization. rule thinner capitalization strict reduce debt to ratio equity in a way significant . In Indonesia itself , *thin capitalization rules* applied with method apply DER limits viz of 4:1 as is inside Article 2 paragraph 1 PMK-169/PMK.010/2015. So, divide companies in Indonesia, in tax planning his still must notice exists regulation DER restrictions for planning the tax it applies can save tax at a time no caught sanctions.

Analysis Tax Planning

Choice Alternative Tax Planning through *Thin Capitalized* in Indonesia

Represents normal tendency if company aim for reach lots of benefits and savings expenditure . This also happens to companies multinational . Policies were also adopted To use obtain lots of benefits and savings expenses, incl expenditure in matter taxation. Companies can faced with

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various option choice preparation his finances To use minimize burden the tax he paid . These various strategies must considered is in accordance or No with provision Legislation Existing taxation in the country of residence company multinational. Anindita , et al (2022) in his research state that rule *thin capitalization* in Indonesia is limiting the ratio of debt to capital burden the flowers can reduced for goal 4:1. That matter will give rise to limitations for company for take advantage of the debt tax shield.

When carrying out tax planning, it is necessary to create several alternatives to see which alternative is more appropriate to use. In relation to thin capitalization in Indonesia, following served a number of illustration alternative calculation To use compare alternative planning correct tax for company in compile comparison value of debt and capital in the funding it does . Illustrations used in this study uses 3 alternatives, namely :
[1] Alternative A uses structure financing with debt and capital compared 1:1;
[2] Alternative B uses structure financing with debt and capital compared 4:1;
[3] Alternative C uses structure financing with debt and capital compared 9:1.
As well as, with use assumptions :
[1] Size flower is 10% of the loan and the amount dividend is 10% capital;
[2] Corporate tax rate 22%, rate 10% dividend;
[3] Profit business before interest and tax Rp. 500,000,000;
[4] Entire profit after tax shared as dividends.

Table 2. Illustration Alternative Comparison of Debt and Capital Values
in *Thin Capitalization*

(in rupiah)

Items	Formula	Alternative A	Alternative B	Alternative C
		DER = 1 : 1	DER = 4 : 1	DER = 9 : 1
Equity	A	1,000,000,000	400,000,000	200,000,000
Debt	B	1,000,000,000	1,600,000,000	1,800,000,000
Earnings before Interest and Taxes	C	500,000,000	500,000,000	500,000,000
Less Interest Expense (10%)	D = B*10%	100,000,000	160,000,000	180,000,000
Profit before Tax	E = C-D	**400,000,000**	**340,000,000**	**320,000,000**
Corporate Income Tax (22%)	F = E*22%	**88,000,000**	**74,800,000**	**70,400,000**
Profit after Tax	G = E-F	312,000,000	265,200,000	249,600,000
Tax on Dividends (10%)	H = G*10%	31,200,000	26,520,000	24,960,000
Dividends are distributed	I = G-H	280,800,000	238,680,000	224,640,000
Total Taxes Paid	J = F+H	**119,200,000**	**101,320,000**	**95,360,000**
Effective Tax Rate	K = J/C *100%	**23.8%**	**20.3%**	**19.1%**
Return on Equity	L = I/A *100%	**28.1%**	**59.7%**	**112.3%**

Source Table : Association *Tax Center* Central and processed writer

Based on Table 2 can seen that If without see *thin capitalization rules* or If No There is his *thin capitalization rules* , increasingly tall composition debt compared to with capital, will make Corporate Income Tax paid become more low. Comparison the can seen clearly in the Corporate Income Tax in Alternative C, namely amounting to IDR 70,400,000 and in Alternative A amounting to IDR 88,000,000. Besides that, from table that can also be done seen that the more high DER, total tax paid become more lowand tariff tax effective become low, namely in Alternative C amounting to IDR 95,360,000 with tariff tax effective amounting to 19.1%, in Alternative B amounting to IDR 101,320,000 with tariff tax effective amounting to 20.3%, and in Alternative A amounting to IDR 119,200,000 with tariff tax effective amounting to 23.8%. The more tall composition debt compared to with capital too create the ROE obtained become more high , namely in Alternative C it is 112.3%, in Alternative B it is 59.7%, and in Alternative A it is 28.1%. So that debt and capital arrangements can used To use get profit tax globally for company multinational.

Analysis Efficiency Tax Planning through *Thin Capitalized* in Indonesia

In accordance with Agency Theory in type 3, it has been explained that conflicts of interest can occur between companies and the government. Where companies try to minimize their tax payments through various tax planning strategies, including thin capitalization. Meanwhile, on the other hand, the government or tax authorities in Indonesia try to maximize tax payments made by companies by implementing Thin Capitalization Rules.

In Table 2 has seen If No There is *thin capitalization rules* applied in a country , then alternative C is alternative the best you can used by a company national . However if There is thin *capitalization* rules applied in a country company domiciled or are , then company the must pay attention to these rules . In Indonesia, thin capitalization rules are applied with method apply DER limits viz of 4:1 as is inside Article 2 paragraph 1 PMK-169/PMK.010/2015. So that If look at the alternatives in Table 2 then choice best from tax planning related *thin capitalization* is use alternative B, viz with maximizing composition 4:1.

According to Dictionary Big Indonesian (KBBI) online version , meaning of the word efficiency are : “1. accuracy way (effort , work) in operate something (with no throw away time, energy, costs); usability; usability; skill; 2. ability operate task with good and precise (with no throw away time, energy, costs);”. In connection with tax planning, then planning good taxes done expected can help company multinational for do obligation taxation with good and correct with No throw away time, energy, and costs . Therefore , with planning good taxes , it should be capable avoid company multinational from imposition sanctions administration Good form interest, fines, etc increase, because with exists sanctions the will make company throw away time and energy addition for pay sanctions these, as well especially will happen waste cost.

Gouwvara (2023) explains that thin capitalization has an effect to avoidance taxes, thats happen because companies that use debt will get supervision so that difficult for do avoidance tax. Rimbano, et al (2019) explain that planning own taxes (tax planning) will help all fellowship do efficiency payment taxes, besides that with tax planning can also be done avoid waste payment tax with optimize allocation source power more companies productive and able arrange genre kasdan can compile cash budget more accurate and detailed.

Based on various alternatives that have been outlined before , then need remembered that exists less tax pay can give rise to sanctions flower as listed in KUP law stdtd. HPP Law, namely Article 8 paragraph (2) states : " In matter Must Tax correct own Notification Letter Annually which results in tax debt become more big, to him charged sanctions administration form flower as big as tariff monthly interest determined by the Minister of Finance on amount less tax paid, calculated since moment submission of Notification Letter end until with date payment, and is subject to a maximum of 24 (two tens four) months, as well part from month calculated full 1 (one) month.” So, if company use alternative C, then even though the total tax paid become more low, rates tax effective become low, as well as the ROE obtained become more high, however company must consider sanctions flower on less tax pay if There is correct debt and capital values permitted by the Directorate General Tax. Besides it's a reporting process with a DER exceeding 4:1 it is very possible be an indicative process beginning did it inspection taxes carried out by the Directorate General of Taxes. So that if company report report finance with DER value exceeds existing limitations in PMK-169/PMK.010/2015, company will get sanctions administration tax and possible will happen waste power, cost, energy, and time To use manage the inspection process existing taxes.

From example illustration alternatives that have been explained , yes seen that related tax planning with utilization of *thin capitalization* strategies in companies multinationals in Indonesia,

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structuring debt and capital in an appropriate manner maximum in accordance with PMK-169/PMK.010/ 2015 regulations as existing in alternative B, is alternative The best choice. That matter Because alternative the can still minimize total taxes and tariffs tax effective, as well got a decent ROE high, as well can avoid from exists tax sanctions. Also utilization alternative B No will become attention or road enter for Directorate General of Taxes to do inspection taxes , so company will spared from waste time, energy, time as well as cost related inspection tax.

CONCLUSION

Tax planning is a strategy carried out by a company so that the company can fulfill its tax obligations properly and correctly, and the company's tax payments can be made efficiently but still in accordance with the provisions of the tax regulations in force in its country. Represents normal tendency if company aim for reach lots of benefits and savings expenditure . For Multinational Corporations (MNC), companies can do tax planning through thin capitalization in between company multinational that has connection special . But that strategy still must in accordance with the thin capitalization rules that apply in the country of origin position or is at the company.

From various previous research results, it is known that currently, in the global economy, a thin capitalization strategy has been commonly used by various multinational companies in the world as an effort to save taxes globally, by minimizing tax payments in countries that have higher taxes through strategic funding arrangements and debt schemes in obtaining funds. In accordance with Agency Theory, in type 3 it has been explained that conflicts of interest can occur between the company and the government. Where companies try to minimize their tax payments through various tax planning strategies, including thin capitalization. Meanwhile, on the other hand, the government or tax authorities in Indonesia try to maximize tax payments made by companies by implementing Thin Capitalization Rules.

In Indonesia, it has There are Thin Capitalization Rules outlined in PMK-169/PMK.010/2015 regulations with arrangement of debt and capital maximum namely 4:1. So, Multinational Corporation in Indonesia in planning the tax should utilizing a *thin capitalization* strategy with arrangement of debt and capital maximum in accordance with PMK-169/PMK.010/2015 rule is 4:1. The tax planning strategy implemented will enable Multinational Companies (MNCs) to minimize total tax payments and rates, and will be able to have a high ROE, and can avoid tax sanctions applicable in the provisions of tax legislation. Tax planning with maximizing limitation in accordance with nor does the PMK-169/PMK.010/2015 regulation will become attention or road enter for Directorate General of Taxes to do inspection taxes, so company will spared from waste time, energy, etc cost related inspection tax.

Limitations from this study is only use method *library research* and sources limited references. Study furthermore expected can use more data complete with use method study qualitative studies case in the company as well as interview to source person in a way direct. The implications of this research are that it can be a reference for tax planning in carrying out thin capitalization strategies in multinational companies in Indonesia, by presenting alternative tax planning tables and explanations regarding efficiency and avoidance of tax sanctions.

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